GOVERNMENT OF ANDHRA PRADESH
ABSTRACT

Industries & Commerce Department – " Backward Areas Ultra Mega Integrated Automobile Projects Policy " - Orders-Issued.

INDUSTRIES AND COMMERCE (P&I) DEPARTMENT

G.O.MS.No. 40 **Dated: 08-03-2017**
Read the following:-

1. G.O.Ms.No.34, Industries & Commerce (IP & INF) Dept. Dt: 29-04-2015
2. G.O.Ms.No.108, Industries & Commerce (P & I) Dept. Dt: 14-11-2017.

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O R D E R:

In the G.O 1st read above, Government have formulated the Automobile and Auto Components Policy 2015-2020 enabling to create a world-class auto industry and auto component eco-system in the State of Andhra Pradesh. While the State has been able to attract considerable investment from Indian manufacturers, major international auto makers have expressed their inability to establish manufacturing facilities in the State of Andhra Pradesh citing different limiting provisions of the policy and comparatively better incentives available in competing states. Multiple stakeholder discussions have preferred a need to offer a substantively attractive package including social ecosystem and a robust skill inventory for the entire value chain of auto manufacturing to be established in the State of Andhra Pradesh

2. The Government having discussed with numerous global automotive manufacturers have come to an understanding that, to attract large automotive investment there should be an enabling integrated automotive and economic development policy initiative for a new category "Backward Areas Ultra Mega Integrated Automobile Project' with an incentive package on par or better than that is currently offered by other competing states such as Maharashtra, Gujarat and Tamil Nadu. The Government while having recognised the need for an integrated automotive and economic policy has also decided to focus the policy to address the intra-state inequality in backward areas as the Government is committed to create adequate resources for these areas. Therefore the proposed Backward Areas Ultra Mega Integrated Automobile Projects scheme will only be applicable to the notified Backward Districts in Andhra Pradesh, to accelerate investment accrual, and to create a milieu for addressing developmental anomalies to improve quality of life of people in the State of Andhra Pradesh.

3. The Government takes note of the fact that projects being proposed in Backward Districts are facing geographical barriers in terms of immediate usable lands, terrain suitability and inadequate infrastructure etc. and would initially require the government to put an appropriate system in place for expeditiously addressing concerns as to the site levelling, trunk infrastructures, utilities, training centres etc., without which the Government would risk loosing the project to competing states. In view of these facts, the Government under this policy initiative addresses a range of policy and regulatory support mechanisms to appeal to the investor. The policy links state support package including fiscal incentives to total project investments, investments in eligible fixed assets, employment generation, indexed to sales performance, guaranteed installed capacity creation, high levels of commitment to production localization, ensuring overall development of auto cluster within the notified backward areas.

4. Against this backdrop, Government hereby introduce "Ultra Mega Integrated Automobile Projects Policy for Backward Areas of Andhra Pradesh". The detailed policy document is appended at Annexure-I.

5. Under the "Backward Areas Ultra Mega Integrated Automobile Projects Policy", the Government approved the following fiscal benefits covering the categories of (1) Ultra Mega Integrated Automobile Projects (2) Associates /Ancillaries to UMIAP (3) Land and Infrastructure (4) Non-fiscal Incentives (5) Fiscal Incentives (6) GST Scenario Fiscal Incentives.

5.1.0 **Ultra Mega Integrated Automobile Projects (UMIAP)**

5.1.1 Ultra Mega Integrated Automobile Projects in the notified backward districts shall mean and include in part or in whole, Engine Plant, Press Shop, Body Shop, Transmission Line, Assembly Line, Paint Shop, Foundry Shop, etc.

5.1.2 The total project investment in the integrated automotive manufacturing plant by the project proponent shall either be on its own and/or in consortium and/or through joint venture and/or partly through associate/ancillary suppliers to create a minimum installed capacity of not less than 300000 completely built up automotive units per/annum, with a minimum localisation ratio of 80% (Eighty Percent) ex works.

5.1.3 The total project investment by the project proponent shall not be less than 1.5 Billion USD and the combined total investment of the associate/ancillary suppliers to be not less than 2 Billion USD to be invested within 5 years with a 2 year extension from the date of Memorandum of Understanding with the Government(or) any other subsequent date as specified by the Government.

5.1.5 The Government shall recognise imported second hand capital goods as eligible fixed assets subject fulfilling Government of India import criteria, rules and regulations at the time of import. The machinery shall be directly imported in the name of the Company to be eligible for incentives. Further, a certificate from a Charted Engineer shall be furnished duly indicating that the import norms of Government of India are satisfied.

5.1.4 The total project investment shall include investments in eligible fixed assets of not less than 1 Billion USD by the project proponent. The definition of eligible fixed assets shall mean to include investment in Intangibles, which form an integral part of manufacturing process. The intangibles shall not exceed 10% of the total project investment. Intangibles will include pre-operative expenses, technical know-how fees including planning fees, expenditure on research and development, design & development of products and prototypes, which are capitalised in the books of accounts of the project proponent as per standard accounting norms.

5.1.6 The Backward Areas Ultra Mega Integrated Automobile Projects shall provide direct employment of 4000 workers and temporary employment of 7000 workers collectively by the project proponent and its associates/ancillary suppliers/vendors.

5.2.0 Associates/Ancillary Suppliers to Ultra Mega Integrated Automobile Projects

5.2.1 Associates/Ancillaries and Vendor/Suppliers of the project proponent to be eligible for the fiscal incentives, they should collectively undertake a total Investment of 0.5 Billion USD within 5 years with a 2 year extension from the date of the Project Proponent executing the Memorandum of Understanding.

5.2.2 In addition the associates / ancillaries and vendor/suppliers would be required to supply not lesser than fifty (50%) per cent of the production capacity to the project proponent for a period of 10 years from their respective date of commencement of commercial production.The Government shall undertake best efforts to create a "Plug and Play" industrial environment for establishing automotive ancillaries and vendor manufacturing industrial park.

5.3.0 Land and Infrastructure

5.3.1 GoAP will allot land to Ultra Mega Integrated Automobile Project at concessional price with a deferred payment structure.

5.3.2 GoAP will be responsible with reference to industry standard contour survey map, coordinates and data, metrological data for a minimum 100 year return period, conduct soil, bore hole and water sample tests, obtain environmental clearances, undertake site levelling, create storm water drain, clearance and relocation of existing utilities and water bodies.

5.3.3 The Government shall offer industrial zoning at the project site along with mixed zoning to facilitate ITES and R&D MSB building, guest house and such other zoning as the State Government may think fit from time to time on case to case basis.

5.3.4 The industrial area shall be zoned as a non pollute industrial zone to prevent any polluting industry within a radius as decided by the Government which would be detriment to the air quality and the production process of the automotive industry.

5.3.5 The Government shall provide at its cost, road connectivity to project site, such as 4 Lane Road to the nearest National and/or State Highway, appropriate service road, road-over-bridge &/or underpass connecting project site to the nearest national &/or state highway&/or railway siding/sea port/trucking terminal/vendor industrial park, on a case to case basis subject to traffic study and data.

5.3.6 Temporary and Permanent Power Supply shall be provided through temporary and permanent double circuit line from dual feeder source with cost of feeder lines at the cost of the Government.

5.3.7 Temporary and Permanent Water Supply shall be provided from the nearest reservoirs /water tanks/ground water bore wells by gravity/pump house through open water channels/pipe lines/tankers to meet the project requirement of water quantity, quality, rate of pumping and water pressure. The Government shall undertake to provide dual feeder source permanent water supply.

5.3.8 The Government shall identify a suitable site for disposal of Household & Non Household Type Waste for the benefit of the project proponent, associate/ancillary suppliers and the industry in general. The facilities at site such as incinerator, landfill, etc. will meet the standards laid down under the relevant environment acts and rules.

5.3.9 Project related industrial land allotment for the establishment of vehicle test track, common trucking terminal, common railway siding, automotive parking facility adjacent to the railhead and sea port parking adjacent to the sea port (logistics facility) shall be made available based on project specific requirements at concessional price with a deferred payment structure. The logistics facility to be implemented by the project proponent &/or through its nominee.

5.3.10 The Government will create, at its own expense, public support facilities such as police station, fire tender, regional transport office, medical facilities, labor office, etc to facilitate project implementation. The public support facilitates shall be located at the industrial complex. The public support facilities for the project proponent shall be at site to meet any requirements/exigencies and emergency situations.The Government will upgrade, at its own expense, the fire protection facilities at the nearest Fire Station. The DCP cum Foam Tender and the Emergency Rescue Tender will meet international fire standards in line with the Bureau of Indian Standards for fire including Factories Act and Insurance regulatory standards.

5.3.11 Project related land allotment for social infrastructure such as the establishment of housing, schooling, recreational facilities, etc. for the project proponent shall be made based on project specific requirements at concessional price with a deferred payment structure to be implemented by the project proponent &/or through its nominee.

5.3.12 The Government to provide land for establishing temporary office building for the project proponent at no cost adjacent to the project site with utilities such as, electricity connections, water facility and such other facilities at concessional rates only until commencement of commercial production to meet the requirements of project implementation.

5.3.13 Land and building for industrial training centre shall be provided by the Government subject to the project proponent and its associates/ancillary suppliers providing eighty percent (80%) employment to candidates belonging to the State of Andhra Pradesh. Mandatory employment to local people in the State of Andhra Pradesh in respect of all unskilled jobs. The project proponent shall provide vocational training to local candidates from within State of Andhra Pradesh to meet the industry standards of employability within the 5 year period of the said exemption / relaxation. The project proponent undertakes to replace the contract labour with permanent labour not later than 5 years from the date of commercial production.

5.4.0 Non fiscal Incentives

5.4.1 The Government shall permit exemption / relaxation for the project proponent under the Contract Labour Act to employ contract labour in core activities for a period of 5 years from the date of commercial production.

5.4.2 The Government shall permit 24x7-3 shift operation, women workers and public utility status to the project to facilitate uninterrupted production to meet export obligations.

5.4.3 The impetus would be given to establish industry-academia partnerships (with state universities, IIT, IIIT and IIM) to promote apprenticeship and training model for skilling local manpower.

5.5.0 Fiscal Incentives

5.5.1 100% exemption of Stamp Duty, Mortgage Duty and Transfer Duty and/or any other levy for the project proponent

5.5.2 No entry tax and no Octroi duties on any items procured by the investors.

5.5.3 Reimbursement of VAT on Capital Goods, Works Contract Tax, and other State levies for 7 years from the date of investment, limited to the investment period. The reimbursement will not be taken into account for calculating the ceiling of output VAT and CST refund.

5.5.4 Concessional State VAT rates [5%] on Inputs / Raw material for 20 years. Refund of Concessional Input tax for 20 years will run parallel with Gross output VAT and CST refund. Input tax refund will not be taken into account for calculation of ceiling of Gross output VAT and CST refund.

5.5.5 Reimbursement of Gross Output Value Added Tax (VAT) and Central Sales Tax (CST) on sale of finished goods (without any set off) for 25 years or upto 150% of investments in eligible fixed assets, whichever is earlier.

5.5.6 The Government shall offer concessional Central Sales Tax rate of 1 % ad-valorem in respect of vehicles (and parts thereof) manufactured within the State of Andhra Pradesh and sold interstate to registered dealers/Governments for a period of 25 years from the date of commencement of commercial production in the State of Andhra Pradesh.

5.5.7 The value of Road Tax on all vehicles manufactured and sold within the State of Andhra Pradesh for a period of 20 years from their date of commencement of commercial production shall be provided as soft loan repayable in 20 years

5.5.8 The nomenclature of VAT / CST / Input tax refund will be termed as Investment Promotion subsidy.

5.5.9 The policy shall endeavour to provide incentives to enable the project proponent to achieve 150% availment of incentives with reference to the limit of investments in eligible fixed assets made in the project.

5.5.10 The concessional water consumption charges and exemption from water tax (if any) shall be made available for a period of 20 years from the date of commercial production. The concessional water consumption charges and exemption from water tax shall be made available for ground water bore wells at project site, if applicable.

5.5.11 The concessional power tariff and exemption from electricity tax shall be made available for a period of 20 years from the date of commercial production. The exemption from electricity tax for 20 years shall mean to include for both the GoAP supply and captive power consumption from the date of commercial production.

5.5.12 The Government shall subsidise subject to mutual discussions with the project proponent on a case to case basis on port facilities for its export production, to promote Made in Andhra Pradesh, Make in India Brand subject to substantial export volume over and above 20% of the installed production capacity.

5.5.13 The Government shall recognise the duty saved amount on capital goods imports by the project proponent under EPCG or similar schemes of customs duty exemption/savings. The Government to consider the customs duty saved amount while computing the investment in eligible fixed assets. The duty saved amount shall be considered for the limited purpose of computing investment in eligible fixed assets only for the fulfilment of investment obligation by the project proponent but not for accrual of fiscal incentive, subject to the condition that double counting of the investment has not taken place.

5.5.14 The Government will engage port authorities at the nearest coastal sea port to provide the project proponent concessional rates of wharfage, vessel related charges, CNF levy charges and parking areas including miscellaneous utilities such as power and water connections (Port Facilities). The berth with a minimum depth of water of -11 meters to berth and to handle Roll-on Roll-off Vessels, Pure Car Carrier (PCC) & Pure Car & Truck Carrier (PCTC) capable of operating 24 hours a day, 7 days a week including handling container ships of 20,000 tonnes dead weight for stem and side loading, suitable ancillary equipment shall be made available.

5.5.15 In addition, the project proponent and the associates / ancillaries and vendor/suppliers, shall be eligible as per the Andhra Pradesh Reorganisation Act 2014, whatever package of incentives Government of India, as and when, grants to the State of Andhra Pradesh, such package would be made applicable to the Backward Areas Ultra Mega Integrated Automobile Projects to the extent they are relevant.

5.5.16 Any other concession already provided and / or under the category of Mega Projects as set forth and defined under the Industrial Development Policy 2015-2020 shall also be extended to "Backward Areas Ultra Mega Integrated Automobile Project"

5.6.0. GST Scenario Fiscal Incentives:

5.6.1 All fiscal benefits with reference to Gross Output VAT, CST and Input VAT committed by GoAP in this policy shall be made compatible with any new tax regime such as GST. In the event of any shortfall in the quantum of incentives accruing to the investor which is lesser than 100% of the investment in eligible fixed asset value, such shortfall of quantum of incentives shall be addressed with an appropriate mechanism such as obtaining specific exemptions and/or compensations to ensure investor assurance to the maximum extent of only 100% of their eligible fixed asset value. GoAP shall evolve a compensatory mechanism to assure the investor that there shall be no reduction in incentive quantum due to any reduction in the tax rates.

7. The policy will come into operation from date of issue of this order and shall remain in force for (7) years or upto 31-03-2022. Separate guidelines will be issued to give further clarity on the incentives being offered in the Policy

8. This order issues with the concurrence of Finance (PPP-II) Department, vide their file U.O.No.29024/7/2017, Finance (PPP-II) Department, dt. 20.02.2017.

(BY ORDER AND IN THE NAME OF THE GOVERNER OF ANDHRAPRADESH)

S.SOLOMON AROKIARAJ
SECRETARY TO GOVERNMENT &
COMMISSIONER FOR INDUSTRIAL PROMOTION

To
The Director of of Industries, Go AP, Vijayawada
The VC & MD, APIIC, Vijayawada
The VC & MD, APIDC Vijayawada
The MD, APSFC, Hyderabad.
The Irrigation & CAD Department
The Revenue (LA) Department
The Revenue (CT) Department.
The Energy Department.
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The Commissioner of Commercial Taxes, GoAP, Hyderabad.
All the HODs under the administrative control of Ind.& Com. Dept.
SF/Sc.

//FORWARDED::BY ORDER//

SECTION OFFICER